DECEMBER 1990
A CAHNERS PUBLICATION

# Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

**Diamond Film a reality**

Allen and Marty Kass
Kass Industrial Supply

## Bronx hot shots

page 31

## 100 years and counting

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## Mom and Pop can survive!

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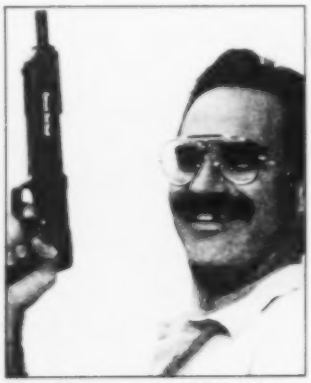

The Kass cousins blend humor and street smarts to stay competitive in today's tough market.

Cover photography by Jeffrey Vock


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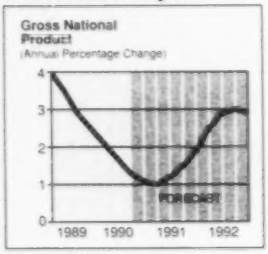


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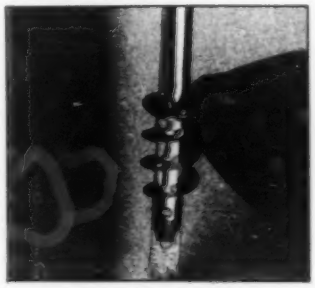

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**Thomas J. Colyer, Director of Diamond Film, Norton Co.**

• **Improved surface finish.** Because diamond will not stick to other materials, and because galling (the wearing of material by friction) is reduced during cutting operations, parts made using diamond usually have an excellent finish.

Norton Co. is currently testing diamond film cutting tools in a pilot program with 10 industrial distributors. One of the distributors, Mark Fuller, president of REFCO, Inc., a cutting tool and abrasives house in Boylston, Mass., is testing diamond film tools with about 10 customers.

Fuller said that some of the test results have been dramatic. At one end user, a machinist who normally mills 80 fiberglass parts/insert with a carbide tool reported getting more than 9,000 parts/insert with a diamond film tipped tool.

While performance like that is impressive, Fuller pointed out that diamond film tools do cost more, sometimes up to 20 times more than conventional carbide products. "These tools sell themselves," Fuller said. "Once customers see the increased performance and productivity, they find it hard to resist."

But despite the positive test results, Fuller explained that diamond film will not replace carbide for steel applications. That's because diamond and steel both consist of carbon, which makes it difficult for diamond film tools to cut through steel.

"What we're talking about here are non-ferrous applications such as the cutting of aluminum, wood, fiberglass, and copper," Fuller said. "Certainly the use of diamond film tools will grow, but they won't completely replace existing conventional methods."—*By Steve Zurier* □

# Outside sales pay tops 40K

VERNON HILLS, ILL.—The median annual compensation of a materials handling outside salesperson is $40,750, according to a recent study conducted by the Materials Handling Equipment Distributors Assn. (MHEDA).

Dan Reilly, MHEDA's executive vice president, said the 1990 study, entitled *Sales Compensation in the Material Handling Industry*, also provides information on how sales commissions are earned, and compensation comparisons based on distributor type. "This was the first time we have been able to come up with such a comprehensive sales study," Reilly said.

Reilly explained that the compensation study rounds out the association's series of research projects. Prior studies include reports on operations, owner and key executives compensation and managers and key personnel. This particular study was a challenge, he said, because every company had a different sales approach, making it difficult to arrive at an industry standard.

Despite that hurdle, MHEDA was pleased with the results. "One hundred-eighty equipment distributors responded, which represents a total of 675 salespeople," Reilly said. "We were very happy with the great participation in this survey."

Early estimates indicated that association members are also pleased. Reilly said that MHEDA has already received several orders for the study. The first copy of the survey is complimentary to participating member companies, with additional copies costing $25. Non-participating members are charged $50, and non-members $100 per study. □

## IT PAYS TO BE IN OUTSIDE SALES

**Median annual pay for a MHEDA salesperson**

| Sales Volume (in millions) | Type of Distributor: Lift Truck | Gen'l Line | Eng'd Sys. | All |
|---|---|---|---|---|
| Under $1 | $22,400 | $36,450 | * | $25,475 |
| $1-2 | 32,000 | 33,849 | $66,852 | 32,250 |
| $2-4 | 33,994 | 39,447 | 64,029 | 34,600 |
| $4-6 | 48,821 | 41,357 | 74,529 | 44,362 |
| $6-10 | 37,152 | 44,502 | * | 39,195 |
| $10-15 | 40,842 | * | * | 40,842 |
| Over $15 | 50,200 | * | * | 50,916 |
| All | $40,275 | $38,500 | $67,847 | $40,752 |

*Insufficient data

Source: Material Handling Equipment Distributors Assn.

# Baxter leaves Alamo to rep for suppliers in Mexico

SAN ANTONIO—Jim Baxter, a stalwart at Alamo Iron Works for the past six years and a well known industry figure, resigned from Alamo last fall to start Baxter International Representations, a manufacturer's rep business dedicated to selling MRO products in Mexico.

Baxter, whose background includes several years in Latin America with International Harvester and an M.A. in International Management, said he left Alamo to pursue his interest in international trade.

"When it comes to Mexico, I know the people, speak the language and sincerely believe that there's a tremendous opportunity for American manufacturers in the interior of Mexico," he said.

His plan is to build a business by representing American manufacturers to distributors in Mexico, providing them with market research, pricing strategies and tips on how to clear customs. He said his base will primarily be American Supply & Machinery Manufacturers' Assn.

# BUSINESS REPORT

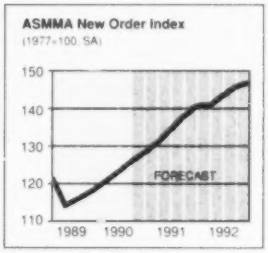
BY DR. JAMES HAUGHEY

# The truth about recessions

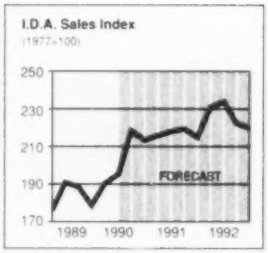
*Data shows economy is not in a recession.*

Most readers have probably had their fill of the word recession, but it's time that some facts and concepts were discussed that get overlooked by most popular press.

First, there is no evidence that the U.S. economy is in a recession. Second, a recession is not and never was inevitable in 1990 or 1991. Third, the Iraqi oil problems, unless Persian Gulf producers are prevented from shipping oil, are not a big enough drag on the economy to force a recession. Only a plunge in consumer spending, prompted by sensational, pessimistic headlines, can cause a recession now. And fourth, recessions in the 1990's will be so different from those of the past that the same word should not even be used to describe them.




Data source: ASMMA
Forecast source: Cahners Economics



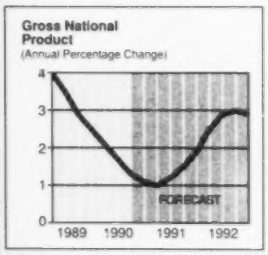

Data source: Industrial Distribution Assn.
Forecast source: Cahners Economics

These are minority opinions. True, economic growth is slow; some industries or regions are in a recession. The whole economy is not.

Third quarter economic data shows a rise in industrial production of 3.8% and smaller rises in inflation-adjusted factory sales and orders, consumer spending and exports. In fact, preliminary GNP numbers show the economy expanded by an annualized rate of 1.8% last quarter. There is no evidence of a recession in those figures.

Recessions do not start in the grocery store. They are prompted by large, abrupt declines in production levels of cyclical manufacturing industries. Industrial production growth peaked in February, 1990 and has since grown at a 4% annual rate. While the consumer economy weakened in 1990, the cyclical manufacturing economy strengthened, making an imminent recession unlikely.

The fact that oil price and supply problems occurred on the eve of the 1974-75 and 1980 recessions is an insufficient reason to expect that the Kuwait invasion will cause a recession in 1990. In the earlier cases, the oil price jump was huge and sustained for several years. The supply loss was substantial and aggravated by inept government nonprice rationing rules. Other commodity prices rose simultaneously. This happened just as cyclical industries were overstocked and headed for a downturn anyway. □




Data source: Commerce Dept.
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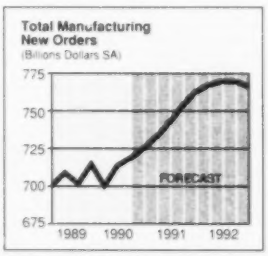


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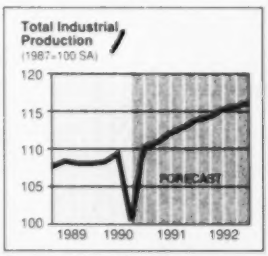


Data source: Federal Reserve Board
Forecast source: Cahners Economics

| (1977=100) | SALES Sept. 1990 | SALES Aug. 1990 | SALES Sept. '90 vs Sept. '89 % change | RECEIVABLES Sept. 1990 days | INVENTORY Aug.-Sept. 1990 % change |
|---|---|---|---|---|---|
| TOTAL | 213.3 | 229.* | 10.6 | 44 | 0.5 |
| EAST | 178.6 | 185.. | 9.0 | 50.8 | -0.8 |
| SOUTH | 326 | 358.6 | 22.5 | 40.1 | 1.3 |
| CENTRAL | 167.1 | 182.3 | 2.3 | 45.9 | 0.5 |
| WEST | 216.8 | 233.6 | 3.1 | 38.9 | 1.2 |

SOURCE: Industrial Distribution Assn.